

**HOUSE OF REPRESENTATIVES STAFF ANALYSIS**

**BILL #:** HB 805 Exemption from the Tax on Sales, Use, and Other Transactions for Solar Energy Systems  
**SPONSOR(S):** Williams and others  
**TIED BILLS:** **IDEN./SIM. BILLS:** SB 1620

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<b>REFERENCE</b>	<b>ACTION</b>	<b>ANALYST</b>	<b>STAFF DIRECTOR</b>
1) Environmental Regulation Committee	6 Y, 0 N	Kliner	Kliner
2) Finance & Tax Committee	9 Y, 0 N	Noriega	Diez-Arguelles
3) State Resources Council		Kliner	Hamby
4) _____	_____	_____	_____
5) _____	_____	_____	_____

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**SUMMARY ANALYSIS**

The Florida Legislature exempted solar energy systems or any component thereof from state sales tax effective July 1, 1997. The exemption is scheduled to be repealed on July 1, 2005.

This bill will amend Florida Statutes to continue to exempt solar energy systems or any component thereof from sales tax until further action by the Florida Legislature.

The Revenue Estimating Conference has estimated that this bill will have a negative fiscal impact of \$1.0 million to state government and \$0.2 million to local governments in FY 2005-06 and of \$1.1 million to state government and \$0.2 million to local governments in FY 2006-07.

This bill will take effect upon becoming law.

# FULL ANALYSIS

## I. SUBSTANTIVE ANALYSIS

### A. HOUSE PRINCIPLES ANALYSIS:

Ensure lower taxes: This bill continues a sales tax exemption for solar energy systems.

### B. EFFECT OF PROPOSED CHANGES:

#### **Present Situation**

##### **Solar Power Initiatives:**

The Florida Energy Office (FEO), Department of Environmental Regulation (DEP), is the state's primary center for energy policy. In addition to developing and implementing Florida's energy policy, FEO coordinates all federal energy programs delegated to the state, including energy supply, demand, conservation, and allocation. In 2003, the FEO was transferred to the DEP.

According to the FEO, its solar strategy is to place solar in the midst of each energy decision in the state. The FEO has continued to emphasize the need to bolster the creation of the infrastructure needed to support the development and promotion of new and innovative techniques and technologies with the following solar-specific projects:

- Front Porch Sunshine Program – Under this program, the state is providing 150 solar water heaters to residents in 20 underserved communities throughout Florida. The state enjoys the distinction of being the first in the nation to install solar energy technology in weatherized, low-income homes.
- SunSmart Schools Program –The program combines state funding with private partnerships to provide clean energy and science education. The electric power generated by the system will be used to power school classrooms, with excess energy returned to the local power grid. The system will also provide an on-site classroom for students to learn more about solar power and the benefits of energy conservation. Under this program, Florida is installing 29 solar electric systems in schools throughout the state.
- SunBuilt Program – SunBuilt is the latest program to expand solar energy technology in communities throughout Florida. A partnership between DEP, the Florida Home Builders Association and the Florida Solar Energy Research and Education Foundation, SunBuilt provides rebate checks to home builders who install solar hot water heaters in newly constructed homes. SunBuilt Builders are eligible to receive rebates for each solar-equipped home constructed.

##### **Solar Power Tax Incentives:**

The Florida Legislature exempted solar energy systems or any component thereof from state sales tax effective July 1, 1997. The most popular systems purchased in the state in recent history have been solar swimming pool heaters. On average, approximately 14,000 to 15,000 solar swimming pool systems are installed in Florida annually, at a cost of \$3,000 to \$4,000 per unit depending on the pool's size. The next popular item is the solar home water heater system, the cost of which ranges between \$2,500 to \$3,500 per unit. Approximately 400 such units are installed annually.

The average cost of the hardware for both the solar pool heater and solar hot water heater is \$1,200. The remaining cost represents the labor for installation.

#### **Current Law**

Chapter 212, F.S., contains the state's statutory provisions authorizing the levying and collection of taxes on sales, use, and other transactions. This chapter also contains provisions for sales and

use tax exemptions and credits applicable to certain items and under certain circumstances. Section 212.08(7)(hh), F.S., provides a sales tax exemption for solar energy systems and components thereof. This exemption is scheduled to be repealed on July 1, 2005.

**Effect of Proposed Change**

This bill will amend Florida Statutes to continue to exempt solar energy systems or any component thereof from sales tax until further action by the Florida Legislature.

C. SECTION DIRECTORY:

Section 1. Amends s. 212.08(7)(hh), F.S., to remove language that calls for the repeal of the sales tax exemption for solar energy systems.

Section 2. Provides that the bill shall take effect upon becoming law.

**II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT**

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

The Revenue Estimating Conference has determined that this bill will have the following negative fiscal impact on state government:

	<u>2005-2006</u>	<u>2006-2007</u>
General Revenue	(1.0m)	(1.1m)
Trust	(insignificant)	(insignificant)
Total	<u>(1.0m)</u>	<u>(1.1m)</u>

2. Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

The Revenue Estimating Conference has estimated that this bill will have the following negative fiscal impact on local governments:

	<u>2005-2006</u>	<u>2006-2007</u>
Revenue Sharing	(insignificant)	(insignificant)
Local Gov't. Half Cent	(0.1m)	(0.1m)
Local Option	(0.1m)	(0.1m)
Total Local Impact	<u>(0.2m)</u>	<u>(0.2m)</u>

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Purchasers of solar energy systems will not have to pay Florida sales tax on the systems they purchase.

D. FISCAL COMMENTS:

According to the DEP, the exemption helps Florida's solar industry, mostly small to moderately sized companies, by reducing their operating costs.

**III. COMMENTS**

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

The mandates provision applies to this bill because it reduces the authority that counties have to raise revenue through local option sales taxes; however, an exemption applies because the reduction is less than \$1.8 million and is therefore insignificant.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

**IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES**